August 2019

McKinsey Quarterly

Can artificial intelligence help society as much as it helps business?

The answer is yes—but only if leaders start embracing technological social responsibility (TSR) as a new business imperative for the AI era.

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In 1953, US senators grilled General Motors CEO Charles "Engine Charlie" Wilson about his large GM shareholdings: Would they cloud his decision making if he became the US secretary of defense and if the interests of General Motors and the United States diverged? Wilson said that he would always put US interests first but that he could not imagine such a divergence taking place, because, "for years I thought what was good for our country was good for General Motors, and vice versa." Although Wilson was confirmed, his remarks raised eyebrows due to widespread skepticism about the alignment of corporate and societal interests.

The skepticism of the 1950s looks quaint when compared with today's concerns about whether business leaders will harness the power of artificial intelligence (AI) and workplace automation to pad their own pockets and those of shareholders—not to mention hurting society by causing unemployment, infringing upon privacy, creating safety and security risks, or worse. But is it possible that what is good for society can also be good for business—and vice versa?

Innovation and skill building

To answer this question, we need a balanced perspective that's informed by history. Technology has long had positive effects on well-being beyond GDP—for example, increasing leisure or improving health and longevity—but it can also have a negative impact, especially in the short term, if adoption heightens stress, inequality, or risk aversion because of fears about job security. A relatively new strand of welfare economics has sought to calculate the value of both the upside and the downside of technology adoption. This is not just a theoretical exercise. What if workers in the automation era fear the future so much that this changes their behavior as consumers and crimps spending? What if stress levels rise to such an extent as workers interface with new technologies that labor productivity suffers?

Building and expanding on existing theories of welfare economics, we simulated how technology adoption today could play out across the economy. The key finding is that two dimensions will be decisive—and in both cases, business has a central role to play (Exhibit 1). The first

dimension is the extent to which firms adopt technologies with a view to accelerating innovation-led growth, compared with a narrower focus on labor substitution and cost reduction. The second is the extent to which technology adoption is accompanied by measures to actively manage the labor transitions that will accompany it—in particular, raising skill levels and ensuring a more fluid labor market.

Both of these dimensions are in sync with our previous bottom-line-focused work on AI and automation adoption. In our research, digital leaders who reap the biggest benefits from technology adoption tend to be those who focus on new products or new markets and, as a result, are more likely to increase or stabilize their workforce than reduce it. At the same time, human capital is an essential element of their strategies, since having the talent able to implement and drive digital transformation is a prerequisite for successful execution. No wonder a growing number of companies, from Walmart to German software company SAP, are emphasizing in-house training programs to equip members of their workforce with the skills they will need for a more automated work environment. And both Amazon and Facebook have raised the minimum wage for their workers as a way to attract, retain, and reward talent.

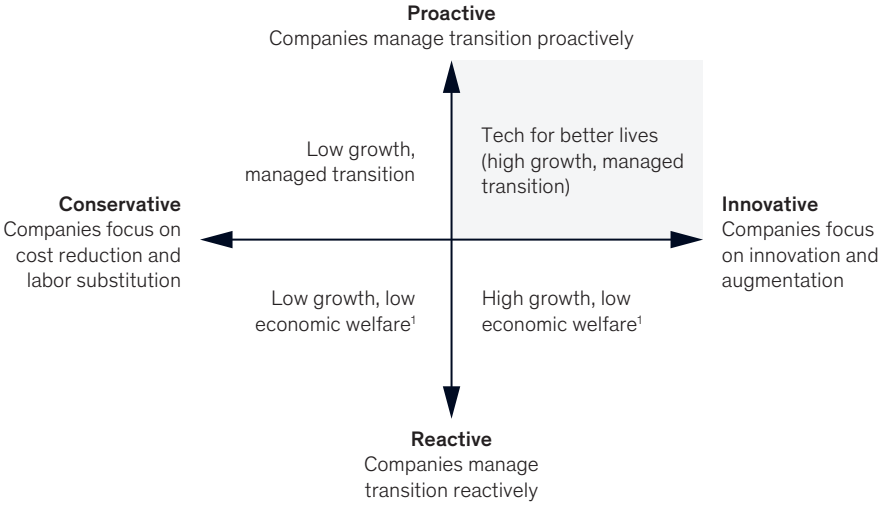
TSR: Technological social responsibility

Given the potential for a win–win across business and society from a socially careful and innovation-driven adoption strategy, we believe the time has come for business leaders across sectors to embed a new imperative in their corporate strategy. We call this imperative technological social responsibility (TSR). It amounts to a conscious alignment between short- and medium-term business goals and longer-term societal ones.

Some of this may sound familiar. Like its cousin, corporate social responsibility, TSR embodies the lofty goal of enlightened self-interest. Yet the self-interest in this case

Exhibit 1

Two dimensions will be decisive in aligning business and societal interests with the adoption of new technology.


Proactive
Companies manage transition proactively
Low growth, managed transition
Tech for better lives (high growth, managed transition)
Conservative
Companies focus on cost reduction and labor substitution
Innovative
Companies focus on innovation and augmentation
Low growth, low economic welfare[1]
High growth, low economic welfare[1]
Reactive
Companies manage transition reactively

[1]Welfare is a specific branch of economics that quantifies utility across the population and allows us to present well-being outcomes in monetary terms.

Source: McKinsey Global Institute analysis

goes beyond regulatory acceptance, consumer perception, or corporate image. By aligning business and societal interests along the twin axes of innovation focus and active transition management, we find that technology adoption can potentially increase productivity and economic growth in a powerful and measurable way.

In economic terms, innovation and transition management could, in a best-case scenario, double the potential growth in welfare—the sum of GDP and additional components of well-being, such as health, leisure, and equality—compared with an average scenario (Exhibit 2). The welfare growth to 2030 that emerges from this scenario could be even higher than the GDP and welfare gains we have seen in recent years from computers and early automation.

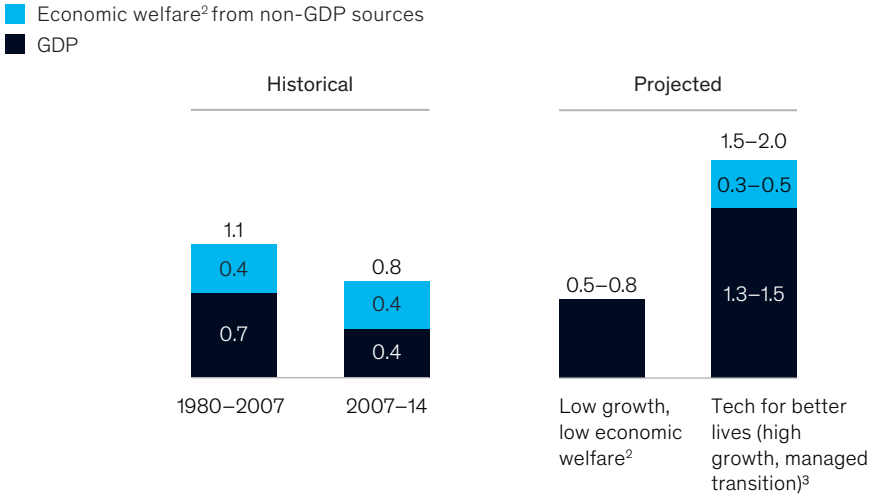
However, other scenarios that pay less heed to innovating or to managing disruptive transitions from tech adoption could slow income growth, increase inequality and unemployment risk, and lead to fewer improvements in leisure, health, and longevity. And that, in turn, would reduce the benefits to business.

At the company level, a workforce that is healthier, happier, better trained, and less stressed, will also be more productive, more adaptable, and better able to drive the technology adoption and innovation surge that will boost revenue and earnings. At the broader level, a society whose overall welfare is improving, and faster than GDP, is a more resilient society better able to handle sometimes painful transitions. In this spirit,

Exhibit 2

A best-case scenario of innovation and transition management could double the potential growth in welfare.

Average annual growth per capita from information and communication technology, EU–28 and United States, CAGR,[1] %



[1] Compound annual growth rate.
[2] Welfare is a specific branch of economics that quantifies utility across the population and allows us to present well-being outcomes in monetary terms.
[3] Figures do not sum to total, because GDP and non-GDP CAGRs are not additive.

Source: McKinsey Global Institute analysis

New Zealand recently announced that it will shift its economic policy focus from GDP to broader societal well-being.

Leadership imperatives

For business leaders, three priorities will be essential. First, they will need to understand and be convinced of the argument that proactive management of technology transitions is not only in the interest of society at large but also in the more narrowly focused financial interest of companies themselves. Our research is just a starting point, and more work will be needed, including to show how and where individual sectors and companies can benefit from adopting a proactive strategy. Work is already underway at international bodies such as the Organisation of Economic Co-operation and Development to measure welfare effects across countries.

Second, digital reinvention plans will need to have, at their core, a thoughtful and proactive workforce-management strategy. Talent is a key differentiating factor, and there is much talk about the need for training, retraining, and nurturing individuals with the skills needed to implement and operate updated business processes and equipment. But so far, "reskilling" remains an afterthought in many companies. That is shortsighted; our work on digital transformation continues to emphasize the importance of having the right people in the right places as machines increasingly complement humans in the workforce. From that perspective alone, active management of training and workforce mobility will be an essential task for boards in the future.

Third, CEOs must embrace new, farsighted partnerships for social good. The successful adoption of AI and other advanced technologies will require cooperation from multiple stakeholders, especially business leaders and the public sector. One example involves education and skills: business leaders can help inform education providers with a clearer sense of the skills that will be needed in the workplace of the future, even as they look to raise the specific skills of their own workforce. IBM, for one, is partnering with vocational schools to shape curricula and build a pipeline of future "new collar" workers—individuals with job profiles at the nexus of professional and trade work, combining technical skills with a higher educational background. AT&T has partnered with more than 30 universities and multiple online education platforms to enable employees to earn the credentials needed for new digital roles.

Other critical public-sector actions include supporting R&D and innovation; creating markets for public goods, such as healthcare, so that there is a business incentive to serve these markets; and collaborating with businesses on reskilling, helping them to match workers with the skills they need and with the digital-era jobs to which they could most easily transition. A more fluid labor market and better job matching will benefit companies and governments, accelerating the search for talent for the former and reducing the potential transition costs for the latter.

There are many aspects to TSR, and we are just starting to map out some of the most important ones. But as an idea and an imperative, the time has come for technological social responsibility to make a forceful entry into the consciousness and strategies of business leaders everywhere. Q

For the full McKinsey Global Institute report upon which this article is based, see "'Tech for Good': Using technology to smooth disruption and improve well-being," on McKinsey.com.

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